

Message Text

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SIL-01 OMB-01 FEA-01 ERDA-05 DODE-00 FPC-01 H-02

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DRAFTED BY: TREAS:JRAY:JAE

APPROVED BY: EB/IFD:PBOEKER

TREAS:GPARSKY (SUBS)

EB/ITP:MGLITMAN

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C O R R E C T E D C O P Y (P A R A 2 L I N E 4; P A R A 4 L I N E 5
AND PARA 5 LINE 2 OMITTED)

E.O. 11652:

TAGS: ETRID, EFIN, ENVR

SUBJECT: MEETING OF IEA AD HOC GROUP ON FINANCIAL AND
INVESTMENT ISSUES

REF.: STATE 061254

1. THIS MESSAGE TRANSMITS REMAINDER OF TEXT OF SUGGESTED
DRAFT REPORT OF FII TO GOVERNING BOARD.

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2. BEGIN TEXT

ROMAN FOUR TRADE BETWEEN PRODUCERS AND CONSUMERS: CREDIT
TERMS, TRADE REGULATIONS, COMMERCIAL AGREEMENTS

ISSUE THE OIL PRODUCING NATIONS MAY PUSH FOR THE
FOLLOWING CONCESSIONS FROM THE CONSUMING NATIONS IN THE
CONTEXT OF THE PRODUCER/CONSUMER CONFERENCE:

-- PREFERENTIAL ACCESS FOR THEIR MANUFACTURED GOODS IN
DEVELOPED COUNTRY MARKETS, PARTICULARLY FOR PETROLEUM
PRODUCTS;

-- GENERAL PREFERENTIAL ARRANGEMENTS (OR ASSOCIATION
AGREEMENTS) COVERING TRADE WITH AND FINANCIAL ASSISTANCE
FROM DEVELOPED COUNTRIES (SIMILAR TO THE EUROPEAN
COMMUNITY'S ASSOCIATION AGREEMENTS WITH OTHER MEDITERRANEAN
COUNTRIES);

-- SPECIAL TREATMENT FOR THEIR EXPORTS IN TERMS OF NON-
TARIFF BARRIERS (NTB'S);

-- PREFERENTIAL CREDIT TERMS FOR PURCHASES IN DEVELOPED
COUNTRY MARKETS.

LINE TO TAKE

(1) THE CONSUMING NATIONS BELIEVE THAT THE CONCLUSION OF
SPECIAL PREFERENTIAL ARRANGEMENTS WITH THE PRODUCING
NATIONS WHICH WOULD GRANT SPECIAL TREATMENT FOR THE IMPORT
OF MANUFACTURED GOODS, AND PARTICULARLY PETROLEUM PRODUCTS
IN RETURN FOR GUARANTEED ACCESS TO SUPPLIES OR AS PART OF
JOINT PRODUCTION/REFINERY OPERATIONS IS NOT A WORKABLE
ARRANGEMENT.

(2) GENERAL ASSOCIATION AGREEMENTS EXTENDING SPECIAL
TRADE OR FINANCING FACILITIES TO THE ENERGY PRODUCING
NATIONS IN PACKAGE ARRANGEMENTS ARE CONTRARY TO AGREED
INTERNATIONAL PRINCIPLES OF MOST-FAVORED NATION TREATMENT
AND WOULD FURTHER ENCOURAGE THE PROLIFERATION OF PREFER-
ENTIAL BLOC ARRANGEMENTS.

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(3) WITH REGARD TO PREFERENTIAL TREATMENT IN TERMS OF
NON-TARIFF BARRIERS, WE HAVE AGREED IN THE TOKYO DECLAR-
ATION INITIATING THE NEW ROUND OF MULTILATERAL TRADE
NEGOTIATIONS THAT WE WOULD GRANT SPECIAL ATTENTION TO THE
PROBLEMS OF DEVELOPING COUNTRIES IN THE CONTEXT OF THOSE
NEGOTIATIONS. WE ARE PREPARED TO DISCUSS THIS ISSUE FULLY
WITH THE PRODUCERS IN MTN.

(4) MAJOR OIL PRODUCERS SHOULD BE TREATED LIKE MAJOR INDUSTRIAL COUNTRIES WITH RESPECT TO THE AVAILABILITY AND TERMS OF OFFICIAL EXPORT CREDITS. END TEXT.

3. FYI -- FRANCE AND GERMANY MAY OBJECT TO OFFICIAL EC COMMISSION POSITION AGAINST PROLIFERATION OF PREFERENTIAL ARRANGEMENTS. WE DO NOT BELIEVE US SHOULD BECOME INVOLVED IN THIS POTENTIAL INTRA-EC ARGUMENT BY LISTING THIS AS AREA OF DISAGREEMENT.

4. SOME COUNTRIES MAY PROPOSE THAT THE PRODUCER/CONSUMER CONFERENCE ADDRESS THE QUESTION OF DEVELOPED COUNTRY EXTENSION OF GENERALIZED SYSTEM OF PREFERENCES (GSP) TO OIL PRODUCING DEVELOPING COUNTRIES. MAJOR INDUSTRIAL NATIONS EXCEPT US PRESENTLY EXTEND PREFERENCES TO OPEC COUNTRIES. THE US TRADE ACT PROHIBITS EXTENSION OF OUR GSP TO THE OPEC COUNTRIES. ADMINISTRATION OPPOSED THIS PROVISION. FOLLOWING PASSAGE, PRESIDENT EXPRESSED REGRET AT RIGIDITIES OF THE PROVISION. WE ARE CURRENTLY CONSULTING WITH CONGRESS ON WAYS TO DEAL WITH PROBLEM.

5. US DE. SHOULD NOT RPT NOT PROPOSE THE INCLUSION OF SPECIAL AGREEMENTS ON NON-OIL COMMODITIES IN THIS REPORT. IF OTHER NATIONS BRING THIS UP, US DEL SHOULD BE GUIDED BY THE INSTRUCTIONS FOR THE OECD XCSS MEETING ON THIS ISSUE. END FYI INGERSOLL

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